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Revenu Canada
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GST

GOODS AND
SERVICES
TAX

COMPLIANCE AND ENFORCEMENT POLICY

"A BLUEPRINT FOR FAIRNESS"



MARCH 1992

Canada





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Customs and Excise

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Canada

This guide does not replace the law found in the *Excise Tax Act* and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation or contact any Revenue Canada Excise/GST office for additional information.

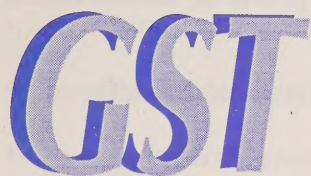
This guide may reflect amendments proposed to the *Excise Tax Act* by Notices of Ways and Means Motion tabled on December 18, 1990, March 27, 1991, and November 5, 1991. The federal government announced its intention to introduce certain amendments to the *Excise Tax Act* to effect these changes which were outlined by the Minister of Finance in press releases on the mentioned dates. [Where proposed changes affect information contained in this guide, the information is enclosed in square brackets]. At the time of publication, Parliament has not enacted these proposed amendments. Any commentary in this guide should not be taken as a statement by the Department that such amendments will, in fact, be enacted into law in their current form.



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Compliance and Enforcement Policy

The majority of Canadians meet their tax obligations responsibly, provided they believe that legislation is fairly administered and that the burden of taxation is evenly shared.

This paper explains what measures are used to achieve compliance with the Goods and Services Tax legislation and sets out principles for fair, predictable and consistent enforcement. It tells everyone who shares a responsibility for the administration of the legislation what is expected of them. The public is provided with a standard by which they can expect to be treated, and departmental officials have guidelines by which to exercise discretion in enforcement activities.

The policy, on which this paper is based, establishes basic enforcement principles which ensure greater consistency in enforcement responses.

This publication uses **plain language** to explain some of the legislative provisions contained in the *Excise Tax Act*. It is not intended as a legal document. For more detailed information, you should refer to the legislation itself and to the technical memoranda listed at the back of the document.





Compliance and
Enforcement Policy

Guiding Principles

The Excise/GST Branch of Revenue Canada, Customs and Excise, is charged with the administration and enforcement of the *Excise Tax Act*, the legislation that provides for the application of the Goods and Services Tax.

The mandate of the Excise/GST Branch is to serve the public by administering the GST legislation in a fair and cost-effective manner.

The following guiding principles govern the administration of the Act:

- to encourage and facilitate voluntary compliance, recognizing that compliance with the Act and its Regulations is mandatory;
- to ensure openness in the administration of the Act through effective communication with the public;
- to administer the Act in a fair, impartial, predictable and consistent way, using rules, sanctions and processes securely founded in law;
- to apply the enforcement provisions of the Act in a reasonable and responsible manner, with responses being proportionate and appropriate to the seriousness of the infraction;
- to maintain responsive, timely service to the public, subject to the availability of resources;
- to provide fair and appropriate redress mechanisms and a reasonable opportunity to respond to demands, assessments, or allegations of wrongdoing; and
- to guarantee the confidentiality of information obtained under the Act and to ensure that such information is communicated only to those legally entitled to receive it.

Departmental Approach to Compliance and Enforcement



Compliance and
Enforcement Policy

The principle of voluntary compliance lies at the heart of the administration of the Canadian tax system. Under the GST, registrants have four main obligations:

- to register;
- to collect the taxes due and to calculate net tax;
- to report (file returns) in the prescribed manner and remit net taxes due; and
- to retain appropriate records and make such records available to determine the amount of tax due, or to prove the accuracy of any return.

For the most part, registrants determine their net tax and remit accordingly. Such a self-assessment system of collecting taxes is more efficient and more economical than other methods.

The Department's compliance strategy is based on the underlying assumption that, generally speaking, most Canadians comply with the law as long as they know what is required of them and are given a reasonable opportunity to comply.

The public's willingness to comply voluntarily depends, in part, on its perception of whether the legislative powers are administered fairly, and whether enforcement is considered to be effective in ensuring that the tax burden is shared evenly.

Given this framework, the Department's fundamental strategy is to first promote compliance, while also maintaining supporting systems aimed at effective verification and enforcement. The Department's Compliance Program tries to reflect that balance between promoting and enforcing compliance.

"Compliance" means the state of conformity with the law and represents the fundamental program objective.

"Enforcement" means ensuring adherence to the law through the exercise or application of powers granted under legislation.

The goal of enforcement is compliance. Enforcement activities include a broad range of formal and informal responses designed to ensure compliance by correcting, deterring or penalizing non-compliance.



Compliance is promoted through the Department's overall commitment to service, which encompasses all facets of the delivery of programs and the performance of duties in the administration of the Act. The Department monitors all major aspects of GST administration in order to maintain appropriate levels of service and to ensure that the standards established in the **Guiding Principles** are met.

The Department is making it as easy as possible to meet the obligations set out under the GST legislation. However, while facilitation makes it easier to comply, it does nothing to secure compliance from those who choose not to do so. A tax system based on the principles of voluntary compliance and self-assessment requires a credible, well-targeted verification and enforcement program to ensure that obligations are met and that abuses are controlled and minimized.

The principle of fairness requires that all persons meet their obligations under the GST. Those who choose to evade the tax are dealt with firmly.

The Department's approach to enforcement places greater emphasis on employing administrative (civil) penalties rather than criminal sanctions for most types of non-compliance. Such monetary penalties are often a more efficient and effective punishment. The use of criminal sanctions is generally reserved for more serious cases.

In summary, the Department's approach to compliance for the GST:

- stresses the promotion of voluntary compliance;
- relies on a wide range of responses to non-compliance, allowing flexibility in determining the most appropriate course of action; and
- stresses enforcement that is targeted at actual or potential cases of non-compliance.

GST Compliance and Enforcement



Promoting Compliance

As outlined in the **Guiding Principles**, the concept of promoting voluntary compliance underlies the entire strategy for administering the GST legislation and reflects the Department's commitment to service. Compliance is promoted through four main approaches: facilitation, education, consultation, and voluntary disclosure.

Facilitation

The easier it is for people to meet their obligations, the greater the likelihood that they will comply. To achieve this result, the Department has kept administrative requirements to a minimum and procedures have been designed to impose the least possible paper burden and to be as easy and inexpensive as possible to follow. The Department is continuing to look for ways to improve and simplify GST procedures (e.g., registration, filing requirements, forms completion, tax determination, refund entitlements).

Education

Revenue Canada believes that compliance is best promoted through education and information. Departmental staff are trained to inform the public and to carry out their duties in a reliable and professional manner. Educational activities include responding to enquiries from the public; providing information verbally and in writing to increase the general awareness of obligations and entitlements under the GST; providing advice and interpretations on specific tax issues; giving seminars; and issuing technical publications on specific provisions of the legislation and its administration.

Consultation and Client Services

Effective communication with the public is important to the delivery of programs and services. Accordingly, the Department will continue to solicit the views of its client groups regularly and promote active consultations with them to ensure their concerns are being taken into account.

Voluntary Disclosure

Voluntary compliance is an essential part of the self-assessment system. The Department acknowledges the importance of voluntary disclosures through a policy of encouraging registrants to come forward of their own volition to correct deficiencies in their past dealings with the Department. While penalty and interest charges will apply to all amounts of tax withheld unlawfully, the Department will not prosecute such persons.

Note: A disclosure which ensues from any audit, investigation or other enforcement action taken by the Department will not be considered voluntary.

Enforcing Compliance

The GST legislation provides a wide range of administrative, civil and criminal sanctions. These sanctions allow the Department some discretion in addressing violations of the Act by matching them to appropriate responses in order to achieve its many enforcement goals. These goals include:

- Correction of the violation as quickly as possible and in the least obtrusive manner in light of the applicable law. (Correction includes the collection of monies owing, as non-compliance should not result in monetary gain.)
- Deterrence of future violations by the same party or by other parties.
- Equitable treatment of all clients through use of a uniform approach to selecting enforcement responses (i.e., similar cases are treated in a similar manner).
- Imposition of criminal sanctions in the event of serious, wilful wrongdoing.
- Effective use of enforcement resources using the least resource-intensive response that permits achievement of compliance goals.

Even though there is a high standard of voluntary compliance with the law in Canada, the integrity of a self-assessment system of taxation can be maintained only through a comprehensive and effective verification process.

Monitoring

Compliance monitoring is conducted through departmental records and on-site audits to verify that obligations established by the GST legislation are carried out in accordance with it.

Monitoring and verification activities include:

- validity checks on returns, applications, remittances and rebates;
- a payments processing program to monitor and control payments;
- compilation of compliance statistical reports from revenue and account information; and
- a comprehensive audit program.

Audit

The Department has a comprehensive audit program designed to verify compliance and maintain public confidence in the integrity of the system. The audit program helps to ensure that conscientious registrants are not competitively disadvantaged by others who may not be meeting their GST obligations properly.

Audit subjects are selected on the basis of risk indicators, sampling results, and the compliance record of the registrant. A poor compliance record increases a registrant's chance of being selected for subsequent audits.

Auditors have the general authority to assess a registrant's net tax (tax collectible less input tax credits). In accordance with the legislation, audit assessments are issued when the auditor's determination of amounts payable or refundable does not agree with the registrant's self-assessed amounts. In determining net tax, auditors take into account any unclaimed input tax credits or deductions which are applied against any outstanding tax liability for the period being assessed. Prior to a Notice of Assessment being issued, all proposed assessments are reviewed by the auditor's unit manager.

An assessment could increase or decrease a registrant's stated GST liability. Refunds, along with interest at the prescribed rate, are issued for any overpayment of net tax remitted during the audit period.

Upon the issuance of an assessment, a person can informally discuss the assessment with a local Excise official, or file a Notice of Objection within 90 days of the date the Notice of Assessment was issued (see **Appeals**).

The audit program helps to isolate unintentional non-compliance (innocent misrepresentations) from intentional non-compliance (fraudulent misrepresentations). Matters involving deliberate or fraudulent attempts to evade compliance are referred to Investigations.



Investigations

To maintain the integrity of the GST system and ensure fairness for all taxpayers, fraudulent activity is investigated.

The investigations program is aimed at the detection and deterrence of fraudulent activity. It ensures that cases of suspected fraud or evasion are promptly investigated to minimize revenue loss. The investigations program supports and complements the audit program, and deals only with cases of suspected fraud.

In keeping with the limitations imposed by the Charter of Rights and Freedoms with respect to unreasonable search and seizure, fraud investigations normally involve the use of search warrants, which require that the investigator establish the existence of reasonable and probable grounds for a charge of fraud. These investigations could result in civil assessments and/or criminal prosecutions (see **Responses to Violations**).

The investigations program takes a “proactive” approach to combatting fraudulent practices through identification, detection and prevention of fraud. This is accomplished, in part, through information gathering and analysis along with close liaison with other enforcement agencies. The program also reacts to information received from various sources (e.g., other areas within the Department, other enforcement agencies, and members of the public).

Appeals

In keeping with the principles of fairness and natural justice, an appeals process, similar to the one for income tax, has been established under the GST.

Any person who has been assessed is encouraged to try to resolve contentious matters with the local Excise/GST office. Excise/GST officials will provide explanations and supporting details for assessments and for any changes to claims for refunds. However, if the dispute is not resolved through this informal process, the person may file a Notice of Objection.

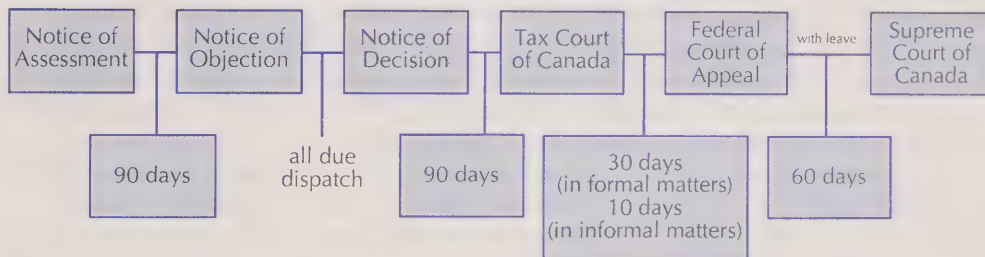
Any person who objects to an assessment has the right to file a Notice of Objection (which initiates the formal appeal process). The Minister is then required to reconsider the assessment. This will result in the assessment being confirmed, revised or cancelled. However, if requested in the Notice of Objection, the Minister may confirm the assessment without reconsideration in instances where persons wish to appeal directly to the Tax Court of Canada (s. 301(4)).

Notices of Objection must be filed no later than 90 days from the mailing date of the Notice of Assessment. The Minister has the power to extend this deadline. Upon examination and evaluation of all material presented in support of an objection, application of the law will be determined and a Notice of Decision (with a brief explanation) will be issued promptly to the applicant. The Minister's decision may be appealed, within 90 days, to the Tax Court of Canada. Further avenues of appeal are available to the Federal Court of Appeal and to the Supreme Court of Canada (see **Rights of Appeal** chart below).



All disputed amounts must be remitted to the Department or must be secured, regardless of the filing of a Notice of Objection or of an appeal.

Rights of Appeal



Responding to Non-Compliance

Exercising Discretion

Enforcement responses are “proportionate and appropriate” to the gravity of the offence. They are applied on the “least intrusive measure” principle, that is to say, the minimum interference with individual freedom necessary to achieve compliance.

To determine the appropriate response to non-compliance, officials consider the general enforcement goals set out in this policy as well as the following factors:

- Nature of the non-compliance – consideration is given to the circumstances, the gravity or potential harm of the non-compliance (e.g., revenue loss, potential injury) as well as the Department’s view of the degree of intent on the part of the alleged offender, whether or not the registrant was acting in good faith, whether this is a repeated occurrence, whether there were attempts to conceal information, and the registrant’s compliance history and motive.



Compliance and Enforcement Policy

- Effectiveness in achieving compliance – the desired result is compliance with the Act, within the shortest time and with no further recurrence of non-compliance. Consideration is given to demonstrated good faith on the part of the registrant and the impact of the action. Other considerations include: Is the response the most efficient approach to returning the person expeditiously to compliance? Will the sanction be sufficient to offset the financial gains from non-compliance?
- Consistency in enforcement – officials consider how similar situations were handled in the past when selecting a course of enforcement action.

New Registrants

The Department recognizes that unintentional mistakes are more likely to occur when people are first learning their obligations. An inappropriate application of sanctions at this time may cause resentment and undermine the very acceptance necessary in a self-assessment tax system. Every effort is made to distinguish between unintentional and intentional non-compliance. The Department uses discretion in the strict application of sanctions in cases where new registrants (those involved in their initial GST dealings) have been acting in good faith and making an honest effort to meet their obligations. Those who disregard their obligations, who are negligent or who attempt to abuse the system are dealt with firmly, in accordance with the Compliance and Enforcement policy.

Responses to Violations

The following responses are available to deal with violations of the GST legislation:

- Notices
- Interest and penalty charges
- Assessments
- Ministerial orders and demands and
- Prosecution

Notices

Persons receive automated notices, telephone contact or personal visits for:

- failure to register
- late filing of returns
- late or incomplete payment and
- failure to notify Revenue Canada when a filing threshold has been exceeded.



Interest and Penalty Charges

Under the legislation, interest is mandatory and cannot be waived. This is due to the nature of the GST collection process, which involves monies collected by the registrant from consumers, or other registrants, in trust on behalf of the Government.

- If a person fails to remit or pay an amount when required, the person is required to pay a penalty of six per cent per year plus interest at the prescribed rate, on the amount withheld (s. 280).
- No penalty applies if the Minister holds security for the payment of any amount (if the security exceeds the outstanding amount payable or remittable) (s. 280(5)). However, interest is still payable.
- If it is determined that a person has knowingly, or under circumstances of gross negligence, made false statements, the person is liable to a penalty of the greater of \$250 or 25 per cent of the tax (s. 285) evaded.
- The Minister may extend, in writing, the time for filing a return (s. 281). In this case, no penalty would apply, however, interest would still be payable. As a rule, this power will only be exercised in exceptional circumstances.

Assessments

The Minister may assess, reassess or make additional assessments of tax, net tax, penalty or interest (s. 296 and 297).

- Assessments are issued when an auditor determines that amounts payable do not agree with the person's self-assessed amounts.
- Assessments may be issued as a result of verification, audit or investigation of returns and rebate applications. They are generally limited to a four-year period (but may be made any time where a person has committed fraud) (s. 298).



- Assessments may be issued, based on estimated tax liability, when a person refuses to file a return or fails to file in the prescribed manner (s. 299(1)).
- Where companies fail to remit tax as required, the Minister may issue assessments against the directors of the corporations or the officials of the unincorporated body, where they have failed to exercise due diligence (s. 323, 324). The assessments may include amounts of penalty and interest, where applicable.

The Minister may also issue Notices of Decision in relation to objections on assessments (s. 301). (All assessments are subject to appeal.)

All amounts under objection or appeal are considered collectible. However, the Minister will postpone collection action if acceptable security is provided.

Ministerial Orders and Demands

The legislation provides the Minister with various powers relating to GST administration and enforcement.

Demand for Return (s. 282)

The Minister may demand that any person file a return for any period or transaction. A Demand for Return is issued when a person refuses to comply with filing requirements.

Failure to comply with a ministerial demand carries a penalty of the greater of \$250 or five per cent of the tax payable or net tax remittable (s. 283) and, on summary conviction, additional penalties (s. 326(1)) of:

- (a) a fine of not less than \$1,000 and not more than \$25,000; or
- (b) both the fine referred to in paragraph (a) and imprisonment for a term not exceeding 12 months.

In issuing a Demand for Return or in recommending charges for failure to comply, the following factors are considered:

- the person's compliance history
- previous action taken
- inability to contact the person
- balance outstanding or estimated indebtedness

- number of returns not filed and
- extenuating circumstances that prevent filing of a return.



Demand for Production of Records (s. 289(1))

The Minister may require any person to provide any information or document for any purpose relating to the administration or enforcement of the Act. However, the Minister may not require a person to provide information about unnamed persons without the authorization of a judge.

A person on whom a notice is served, in respect of unnamed persons, may within fifteen days after service of the notice, apply to a judge for review of the authorization (s. 289(5)).

Notices of requirement to produce records will be utilized in the following types of situations:

- Commencement of an audit is delayed for an unreasonable length of time.
- Access to necessary documents by officers (e.g., auditors) is refused.
- Permission for an officer to make copies of necessary documents is refused.
- To obtain information essential in collection actions.
- As an investigative aid, primarily with third parties (e.g., banks, financial institutions, vendors not under investigation), where specified information is essential to the enforcement of the legislation.

A person who refuses to respond to a demand for records is subject to prosecution under s. 326(1).

Collection Powers

The legislation provides the Minister with various collection powers similar to those found in the *Income Tax Act*. The **key powers** are summarized below.

These powers are put to use only when routine collection techniques do not resolve outstanding accounts. They will be used on a selective case-by-case basis depending on the circumstances surrounding the individual account (e.g., compliance history, financial status, and amount of outstanding debt).



Certificates (s. 316)

Certificates provide a direct method by which the Minister may initiate collection proceedings against a person through the registration of a Certificate of Debt in a Federal Court.

Upon registration of a Certificate of Debt, proceedings may be initiated as if judgement had been obtained for the amount certified.

While a debt may be certified immediately upon assessment, as a rule, this would only be done when it is established that collection of the amount will be at risk if this action is not taken. Generally, all other forms of enforcement, such as garnishment or set-off, must have proven ineffective prior to the certification of a debt.

The following factors are considered prior to the certification of a debt:

- lack of co-operation;
- refusal to enter a payment arrangement;
- availability of assets for seizure;
- deteriorating financial position;
- registrant selling or transferring assets; and
- regular collection methods are unsuccessful (e.g., garnishment does not pay the debt).

After completion of the certification process, the collection officer may obtain the proper court authorization (Writ of Execution) for the action contemplated (e.g., seizure of the defendant's property in satisfaction of the debt).

Garnishment (s. 317)

The GST legislation authorizes the Minister to issue a notice to third parties requiring them to pay, to the Receiver General, amounts which would otherwise be payable to the tax debtor.

A requirement to pay may be served on a company, financial institution or individual that the Minister believes is liable to make a payment to a tax debtor.

Prior to commencing garnishment, every attempt is made to contact the registrant by telephone or in writing, to provide an opportunity for voluntary resolution of the issue or to reach a mutually satisfactory payment arrangement.



Garnishment action is taken only when there is an identifiable source of recovery. A requirement to pay will not be issued on the chance that a payment may be received.

Prior to commencing garnishment procedures, the following factors are taken into consideration:

- whether an amount of tax is owing to the registrant by a third party;
- the potential for a negative impact on the registrant's operations;
- whether the garnishment will create undue hardship for the registrant; and
- the payment terms associated with the requirement, where appropriate.

Recovery by Deduction or Set-Off (s.318)

When a debtor has provided goods or services to the federal government or will be in receipt of payment from the federal Crown, the Minister may recover that debt by way of a set-off between the federal departments.

The same factors as outlined under **Garnishment** are considered prior to initiating set-off procedures.

Person Leaving Canada or Defaulting (s. 322)

When the Minister suspects that a person has left or is about to leave Canada, the Minister may, in advance of the day otherwise fixed for payment, demand payment of all amounts for which the person is liable or will be liable. On a failure to pay, the Minister may direct that the registrant's goods and property be seized and sold.

This provision may be used when there are reasonable grounds to believe that the collection of an amount could be jeopardized in the event of a delay in assessment. The following are examples where the procedure may apply:

- evidence exists that a person is leaving or about to leave the country before the filing due-date, and the person owes a significant amount to the Crown; and



- evidence exists that an individual is attempting to place assets beyond the reach of the Department, thereby obstructing the collection of any liability that may presently, or in the future, be owed to the Crown; or
- immediate enforced collection action is necessary to ensure that a significant potential source of recovery is not lost.

Liability of Directors (s. 323)

When a corporation fails to remit an amount of net tax as required, the directors of the corporation are jointly and severally liable, together with the corporation, to pay the net tax and any related interest or penalties. However, a director is not liable unless:

- a certificate for the amount of the liability of the corporation has been registered in the Federal Court (under s. 316) and execution for that amount has been returned unsatisfied in whole or in part;
- the corporation has been or is in the process of being liquidated or dissolved, and a claim has been proved within six months of the earlier of the date of commencement of the proceedings or the date of dissolution; or
- an assignment or receiving order has been made against the corporation under the *Bankruptcy Act*, and a claim within six months of the date of assignment or receiving order has been proved.

Further, under subsection 323(3), a director of a corporation is not liable where such director exercised a degree of care, diligence and skill to prevent the failure that a reasonably prudent person would have exercised in comparable circumstances.

The Courts have generally ruled that “due diligence” requires directors to exercise a high degree of prudence and take positive action to protect Crown funds. Positive action could include establishing corporate policies for the remittance of tax collected and calling for regular reporting on the implementation and effectiveness of those policies.

In the event that a corporation is experiencing financial difficulties, positive action by a director to protect Crown funds could include establishing a separate trust account for taxes collected or obtaining an undertaking from a financial institution to ensure that amounts due the Crown are paid.

The Minister may assess any person pursuant to these provisions. However, any director liable under this section may not be assessed more than two years after the person last ceased to be a director of the corporation (s. 323(4),(5)).

Collection actions against directors will not be initiated unless the conditions described in this section (i.e., Liability of Directors) have been met and other collection actions against the corporation have been unsuccessful.



The liability of directors is determined on a case-by-case basis, based on individual circumstances, representations from the directors and advice from Crown counsel.

Compliance by Unincorporated Bodies (s. 324)

The obligations and liabilities of unincorporated bodies are the joint and several liability and responsibility of every member of the body holding an office or, where no office exists, every member of any management committee, and, failing the existence of officers or a management committee of the body, every member. The Minister may assess any person liable under the section for an amount owing by the unincorporated body.

Collection actions against officials or members will not be initiated unless collection action against the unincorporated body has proven unsuccessful. As with corporate directors, the decision to assess is determined on a case-by-case basis, based on the extent of positive action taken by the individual to protect Crown funds, representations by the individual, and advice from Crown counsel.

No person may be assessed more than two years after the day the person ceased to be jointly and severally liable unless the person was grossly negligent in the carrying out any duty or the person participated in or acquiesced in a fraud respecting a return or other document made by the body.

Prosecution

In order to maintain the integrity of the GST system, firm enforcement is required in areas where persons intentionally disobey the law. Under the GST legislation, as in any regulatory system, criminal sanctions play an important role in dealing with culpable conduct and deterring breaches of the law.

In consultation with officials of the Attorney General, investigators may lay criminal charges under the *Excise Tax Act* for various types of deliberate non-compliance, including:

- wilfully evading compliance with the Act;
- making false statements in a return;
- altering, falsifying, or destroying documents;



- obtaining fraudulent refunds; and
- conspiring to defraud.

In addition to the assessment provisions for penalties and interest on the unremitted taxes, the legislation also provides for court fines and/or imprisonment. In the case of **summary offences**, fines are equal to 50 per cent to 200 per cent of the revenue evaded or the fine plus imprisonment for up to two years. In the case of **indictable offences**, fines are equal to 100 per cent to 200 per cent of revenue evaded or the fine plus imprisonment for up to five years.

Investigators will not recommend prosecution unless they are satisfied that sufficient evidence is available to support the intended charges.

When making recommendations to Crown prosecutors with respect to the choice of procedures (summary conviction or indictment), or with respect to sentencing, departmental officials consider the following factors (as outlined under **Enforcing Compliance and Exercising Discretion**):

- the nature of the violation, for instance, the gravity of the offence (e.g., revenue loss or potential injury); culpability of the violator (e.g., attempts to conceal information, previous violations); other aggravating factors (e.g., evidence of counselling others to commit tax evasion, disposal of assets to prevent the collection of taxes);
- the effectiveness of the recommended penalty in achieving the desired result (namely, compliance with the Act and no further occurrence); and
- the effectiveness of the recommended penalty in deterring others from committing violations and ensuring compliance with the statute (general deterrence).

Additional Information



For additional information on the **Compliance and Enforcement Policy**, please see the following GST publications:

- **GST MEMORANDUM 500 – ADMINISTRATION AND ENFORCEMENT**
- **GST MEMORANDUM 500-3 – ASSESSMENTS AND PENALTIES**
- **GST MEMORANDUM 500-3-1 – TAX AUDITS**
- **GST MEMORANDUM 500-3-2 – PENALTIES AND INTEREST**
- **GST MEMORANDUM 500-3-3 – COLLECTION AND ENFORCEMENT ACTIVITIES**
- **GST MEMORANDUM 500-3-4 – VOLUNTARY DISCLOSURE**
- **GST MEMORANDUM 500-4 – REBATES**
- **GST MEMORANDUM 500-5 – OBJECTIONS AND APPEALS**
- **GST MEMORANDUM 500-6 – SPECIAL COMPLIANCE MEASURES**

You may also contact any Revenue Canada Excise/GST office. The addresses and telephone numbers of these offices are listed on the back cover of this guide.



Compliance and
Enforcement Policy

Appendix

Key Elements of the GST Legislation

The *Excise Tax Act* provides for the administration, collection and enforcement of the Goods and Services Tax (GST).

Imposition of Tax

The GST is imposed on the recipient of a taxable “supply” (goods or services) made in Canada and is generally required to be collected from the recipient, in trust, on behalf of Her Majesty by the person making the supply (the vendor) (s.165, 221).

The tax also applies on imported goods and services (s. 212, 218).

Registration

Under the legislation, you must register for the GST if:

- you are engaged in a commercial activity and your annual sales and revenues of GST-taxable goods and services are over \$30,000 (s. 148, 240);
- you are a non-resident and you charge admission directly in Canada to a place of amusement, a seminar, an activity or an event; or
- [you are a taxi or limousine operator].

Note: [All taxi and limousine operators must register for the GST, regardless of their revenue level. They should also obtain a copy of the GST publication **REGISTRATION INFORMATION FOR TAXI AND LIMOUSINE OPERATORS**, which is available from any Revenue Canada Excise/GST office.]

Filing Returns

To simplify compliance, various options (referred to as “elections” or “applications”) relating to reporting periods and filing procedures are available to businesses and organizations (s. 243 to 251).

Administrative Provisions

Many administrative provisions of the GST parallel those found in the *Income Tax Act*.

Persons engaged in a commercial activity are required to maintain adequate books and records (s. 286).

The legislation authorizes various enforcement powers including:

- the imposition of a penalty (six per cent) and interest charges for failure to remit net tax when required (s. 280);
- inspections and audits to verify compliance (s. 288);
- assessments and penalties for unpaid taxes (s. 296 to 300); and
- the use of search warrants to secure evidence in investigations (s. 290).

Confidentiality of Information

The legislation establishes the confidentiality of information obtained under the Act and limits communication of information to specific exceptions (s. 295).

Appeals

The legislation also establishes redress mechanisms through appeal procedures similar to those found in the *Income Tax Act* (s. 301 to 312).

Collections

The legislation provides for various collection powers similar to those found in the *Income Tax Act* (s. 313 to 325).

Prosecution

The legislation provides for criminal charges for various types of violations, including cases of fraud (s. 326 to 329).





Authorities Responsible for Administration and Enforcement of the Goods and Services Tax

The following authorities are responsible for the administration and enforcement of the Goods and Services Tax.

Minister of National Revenue

The Minister of National Revenue has responsibility for the administration and enforcement of the Goods and Services Tax and for the control and supervision of all persons employed or engaged for that purpose. The Minister must act in accordance with the legislation, and is accountable to Parliament for his or her actions.

Collection Officers

These officers ensure that returns are filed and taxes are remitted within the period of time prescribed by law.

As a rule, if a registered business or organization fails to file a return or remit its net tax, it will be sent automated notices and called by telephone. Unresolved cases will be referred to collection officers.

If routine collection activities (telephone calls, correspondence, personal visits) prove unsuccessful, these officers will then consider the use of various collection powers which parallel those found in the *Income Tax Act*, and include: assessments, set-off procedures, garnishment, and seizure of property (see **Responses to Violations** and **Collection Powers**).

Auditors

Auditors are persons authorized by the Minister to inspect, audit or examine documents or property of any person for purposes related to the administration or enforcement of the Act.

These officers are authorized to enter any premises or place of business, at reasonable times, and to compel persons to provide reasonable assistance and answer all relevant questions (s. 288(1)).

Where the premises are a dwelling-house, entry may be made only upon the consent of the occupant. Where consent is refused, a court order authorizing entry may be issued by a judge (s. 288(2),(3)).

These officers are authorized to issue assessment notices based on their findings (s. 296).

Investigators

These departmental officers are responsible for the investigation of suspected frauds or tax evasions under the Act. These officers are involved in:

- the gathering of evidence;
- the execution of search warrants;
- the laying of criminal charges;
- the preparation of court briefs for Crown prosecutors; and
- appearances as witnesses in court proceedings.



Attorney General

The Attorney General has responsibility for all civil litigation and criminal prosecutions relating to the *Excise Tax Act*.

While enforcement officials may lay charges for offences under the Act, the ultimate decision rests with the Attorney General as to whether or not to proceed with prosecution of the charges.

The Attorney General, or a Crown prosecutor acting on his or her behalf, will take the policy, as outlined in this guide, into consideration when deciding whether or not to commence prosecution under the Act.

Courts

The courts adjudicate in proceedings, either criminal or civil, which have been instituted by the Department, under the *Excise Tax Act*.

Notes

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Pensez à recycler!



Think Recycling!

REVENUE CANADA EXCISE / GST OFFICES

MAILING ADDRESSES		GENERAL ENQUIRIES	
		LOCAL	LONG DISTANCE
NEWFOUNDLAND			
St. John's	— 8th Floor, 215 Water Street, P.O. Box 5500, A1C 5W4	(709) 772-2851	1-800-563-4950
NOVA SCOTIA			
Halifax	— 2695 Dutch Village Road, P.O. Box 2900, B3L 4N5	(902) 426-1975	1-800-565-9111
PRINCE EDWARD ISLAND			
Charlottetown	— 49 Water Street, P.O. Box 1448, C1A 7N1	(902) 566-7272	1-800-565-9111
NEW BRUNSWICK			
Moncton	— Suite 107, 1600 Main Street, P.O. Box 1070, E1C 8P2	(506) 851-3727	1-800-561-6656
Saint John	— 580 Main Street, P.O. Box 6865, Station A, E2L 4S3	(506) 636-4909	1-800-561-6656
QUEBEC			
Brossard	— 1, Place du Commerce, 3 ^e étage, J4W 2Z7	(514) 923-3700	1-800-361-8339
Jonquière	— 2154 des Chênes Street, G7S 2A9	(418) 548-0891	1-800-363-1409
Laval	— 1, Place Laval, 6 ^e étage, H7N 1A1	(514) 967-3500	1-800-361-8339
Montréal	— 3rd Floor, 1250 Guy Street, H3H 2T4	(514) 496-1494	1-800-361-8339
Pointe Claire	— 6th Floor, 1000 St-Jean Boulevard, H9R 5P1	(514) 426-8293	1-800-361-8339
Québec	— 6th Floor, 410 Charest Blvd. East, G1K 7M9	(418) 648-4376	1-800-363-5254
	— 4th Floor, 730 Charest Blvd. East, G1K 8Y7	(418) 648-4376	1-800-363-5254
Rimouski	— 212, chemin Belzile, G5L 3C3	(418) 722-2929	1-800-463-3523
Rouyn-Noranda	— 2nd Floor, 70 Québec Boulevard, J9X 6R1	(819) 797-4439	1-800-463-5901
Sherbrooke	— 7th Floor, 2665 King Street West, J1H 5L5	(819) 564-7253	1-800-265-0707
St-Léonard	— 3rd Floor, 6455 Jean-Talon Street East, H1S 3E8	(514) 283-0942	1-800-361-8339
Trois-Rivières	— 4th Floor, 225 des Forges Street, G9A 2G7	(819) 371-5103	1-800-363-9911
ONTARIO			
Barrie	— 1st Floor, 99 Ferris Avenue, L4M 2Y2	(705) 739-6000	1-800-265-0017
Hamilton	— 120 King Street W., P.O. Box 2588, L8N 3K7	(416) 570-7110	1-800-263-8459
Kingston	— 993 Princess Street, K7L 5P3	(613) 545-5500	1-800-465-6160
Kirkland Lake	— 4th Floor, 6 Tweedsmuir Street, P2N 1H9	(705) 567-9228	1-800-465-6160
London	— 457 Richmond Street, P.O. Box 5548, N6A 4R3	(519) 645-4145	1-800-265-0017
	— 148 Fullarton Street, P.O. Box 638, N6A 5P3	(519) 645-4154	1-800-265-0017
North Bay	— 2nd Floor, 180 Shirreff Road, P1B 7K9	(705) 494-7000	1-800-465-6160
Ottawa	— 7th Floor, 1730 St. Laurent Blvd., K1G 3H7	(613) 990-8584	1-800-465-6160
	— 2405 St. Laurent Blvd., Unit K, K1G 5B4	(613) 991-3850	1-800-465-6160
Sault Ste. Marie	— 3rd Floor, 205 McNabb Street, P6B 1Y3	(705) 942-2293	1-800-465-6160
St. Catharines	— 2nd Floor, 1 St. Paul Street, L2R 7L4	(416) 988-5809	1-800-265-0017
Sudbury	— 4th Floor, 127 Cedar Street, P3E 1B1	(705) 671-0687	1-800-465-6160
Thunder Bay	— #300-214 Red River Road, P7B 1A6	(807) 343-2800	1-800-665-8749
Toronto Core	— 9th Floor, 375 University Avenue, M5G 2J5	(416) 954-0473	
Toronto East	— 4th Floor, 305 Milner Road, Scarborough, M1B 3V4	(416) 954-0212	1-800-567-4176
Toronto North	— 7th Floor, 4576 Yonge Street, North York, M2N 6N4	(416) 954-3186	1-800-463-0480
Toronto West	— 3rd Floor, 90 Burnhamthorpe Road W., Mississauga, L5B 3C3	(416) 615-2102	1-800-465-8499
Waterloo	— 470 Weber Street N., P.O. Box 1617, N2J 4T4	(519) 725-3050	1-800-265-0017
Windsor	— 2nd Floor, 215 Eugene Street W., N8X 2X7	(519) 250-2900	1-800-265-0017
MANITOBA			
Brandon	— 725 Rosser Avenue, P.O. Box 99, R7A 5Y6	(204) 726-7800	1-800-665-8749
Winnipeg	— 4th Floor, 280 Broadway Avenue, R3C 2W2	(204) 983-4525	1-800-665-8749
SASKATCHEWAN			
Regina	— 2002 Victoria Avenue, P.O. Box 557, S4P 3A4	(306) 780-7279	1-800-667-8886
Saskatoon	— Suite 700, 123-2nd Avenue S., S7K 7E6	(306) 975-6130	1-800-667-1478
ALBERTA			
Calgary	— Room 400, 555-4th Avenue S.W., T2P 3E7	(403) 292-6990	1-800-661-3498
	— Room 700, 833-4th Avenue S.W., P.O. Box 2525, Station M, T2P 3B7	(403) 292-6990	1-800-661-3498
Edmonton	— 15th Floor, 10001 Bellamy Hill Road, T5J 4P5	(403) 448-1309	1-800-661-0005
Lethbridge	— Room 301, 704-4th Avenue S., Bag 3009, T1J 4A9	(403) 382-3013	1-800-661-3498
Red Deer	— 3rd Floor, 4814 Ross Street, Bag 5013, T4N 6A1	(403) 341-7006	1-800-661-0005
BRITISH COLUMBIA			
Burnaby	— #201-4664 Lougheed Highway, V5C 6C2	(604) 666-4664	1-800-561-6990
	— #490-4800 Kingsway, V5H 4J2	(604) 775-5131	1-800-561-6990
Kelowna	— Suite 200, 1835 Gordon Drive, V1Y 3H5	(604) 861-4884	1-800-561-6990
Prince George	— #1441-7th Avenue, V2L 3P3	(604) 561-7800	1-800-561-6990
Vancouver	— #301-1385 West 8th Avenue, V6H 3V9	(604) 775-5300	1-800-561-6990
Victoria	— 747 Fort Street, P.O. Box 3400, Station E, V8W 3R1	(604) 363-0500	1-800-561-6990
YUKON			
Whitehorse	— 4th Floor, 4110-4th Avenue, Y1A 4N7	(403) 667-8154	1-800-561-6990
NORTHWEST TERRITORIES			
Yellowknife	— Room 920, 4922-52nd Street, X1A 3A3	(403) 920-6650	1-800-661-0005

HEARING DISABILITY
If you are deaf or have a hearing disability, and have access to a Telephone Device for the Deaf, telephone 1-800-465-5770 (in Canada only).

REGULAR HOURS OF TELEPHONE AND COUNTER SERVICE
Monday to Friday
8:00 a.m.
to 5:00 p.m.
(except holidays).

OTHER LANGUAGES
Some Excise offices offer help in languages other than English and French. Contact your Excise / GST office for more details.

TOLL-FREE
(in Canada only)
No charge to caller. Dial as directed.

ELECTRONIC DATABASE
If you have any difficulty accessing this "keyword" searchable database by modem at 1-800-267-5979 (in Canada or U.S.), contact your Excise / GST office.

